

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SS-20 NSC-07 CIAE-00 PM-07 INR-11 L-03

ACDA-19 NSAE-00 PA-04 RSC-01 PRS-01 SP-03 TRSE-00

SAJ-01 DODE-00 OMB-01 EB-12 DRC-01 /117 W

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 4890

INFO USIA WASHDC

COMICEDEFOR

CINCLANT

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION NATO

C O N F I D E N T I A L REYKJAVIK 1371

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EO 11652: NA

TAGS: PFOR MARR IC NATO US

SUBJECT: IDF RETENTION NEGOTIATIONS - CONFUSION IN

PRESS OVER US FINANCIAL UNDERTAKING

1. ERRONEOUS PRESS REPORTS FROM WAASHINGTON ON FINANCIAL ASPECTS OF LAST WEEK'S IDF NEGOTIATIONS HAVE TOUCHED OFF NUMBERS GAME IN ICELANDIC NEWSPAPERS OVER HOW MUCH USG IS PREPARED TO SPEND TO IMPLEMENT NEW AGREEMENT. FONMIN EINAR AGUSTSSON, INTERVIEWED IN OCTOBER 3 MORGUNBLADID, BECAME LATEST PARTICIPANT, STRESSING THAT NO (RPT NO) FIGURES HAD BEEN AGREED UPON DURING DISCUSSIONS.

2. SEP 28 MORGUNBLADID PROMINENTLY REPORTED THAT US WAS PLANNING TO SPEND \$76 MILLION TO CARRY OUT CHANGES STEMMING FROM SEP 26 AGREEMENT. PAPER BASED SUM ON ERRONEOUS SEP 27 WASHINGTON POST FIGURE OF \$60

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(SIXTY) MILLION EARMARKED FOR AIRPORT IMPROVEMENTS, AND

REUTERS DISPATCH THAT NEW BASE HOUSING WOULD COST \$16 (SIXTEEN) MILLION. COMMUNIST-DOMINATED PEOPLES ALLIANCE DAILY THJODVILJINN ZEROED IN ON ALLEGED FINANCIAL TERMS OF AGREEMENT FROM OUTSET. IN SEP 28 ARTICLE HEAD-LINED "AGAIN 30 PIECES OF SILVER," PAPER SAID THAT, AS RESULT OF NEW AGREEMENT, CONSIDERABLE SUMS WOULD ACCRUE TO ICELANDIC WARMONGERS. OCTOBER 1 THJODVILJINN EDITORIAL PICKED UP MORGUNBLADID'S FIGURES (ABOVE) IN FURTHER CHARGES OF PROFITEERING BY ICELANDIC CAPITALISTS IN INDEPENDENCE PARTY AND FOREIGN MINISTER'S PROGRESSIVE PARTY FROM VAST SUMS WHICH WOULD SUPPOSEDLY FLOW IN AS RESULT OF AGREEMENT.

3. USIS REYKJAVIK INFORMED LOCAL MEDIA ON OCTOBER 1 OF ACTUAL USG ESTIMATED EXPENSE IN CONNECTION WITH REVISIONS UNDER AGREEMENT, I.E. \$16 MILLION FOR AIRPORT AND \$22.5 MILLION FOR HOUSING, AND EXPLAINED CONFUSION CAUSED BY INCORRECT FIGURES FROM WASHINGTON WHICH HAD SUBSEQUENTLY BEEN CORRECTED BY WASHINGTON POST. THJODVILJINN REACTED NEXT DAY WITH SARCASTIC FRONT-PAGE ITEM SAYING THAT "ONLY" \$38.5 MILLION WOULD FLOW INTO POCKETS OF ICELANDIC PROFITEERS, ACCORDING TO USIS. PROGRESSIVE PARTY'S TIMINN, WHICH HAD AVOIDED ALL COMMENT ON SUBSTANCE OF WASHINGTON TALKS, ALSO REPORTED USIS EXPLANATION ON OCT 2 WITH SWIPE AT "MATHEMATICAL GENIUSES" AT MORGUNBLADID WHO HAD DISSEMINATED FAULTY FIGURES.

4. MORGUNBLADID ON OCT 2 IGNORED USIS CLARIFICATION, BUT RAN INTERVIEW WITH FONMIN EINAR AGUSTSSON IN NEW YORK OCT 3 IN WHICH FONMIN DISCUSSED NATURE OF COMMITMENTS UNDERTAKEN BY US BUT STRESSED THAT NO SPECIFIC FINANCIAL TERMS HAD BEEN AGREED UPON BETWEEN TWO GOVERNMENTS. AGUSTSSON SAID US HAD AGREED TO HOUSE IDF PERSONNEL ON THE BASE; WHAT IT COST WAS NOT HIS CONCERN. HE ALSO POINTED OUT THAT US HAD AGREED TO BEAR COST OF SEPARATION OF FACILITIES AT KEFLAVIK, BOT TO BUILD NEW TERMINAL. PAPER WENT ON TO EXPLAIN EARLIER NUMBERS MIX-UP AND BRIEFLY MENTIONED USIS CLARIFICATION.

5. COMMENT: AGUSTSSON HAS FOR WEEKS BEEN TRYING PUBLICLY TO RECONCILE HIS CURRENT POSITION WITH STANDS HE TOOK AS CONFIDENTIAL

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FONMIN UNDER PREVIOUS LEFTIST GOVERNMENT, BUT HE REMAINS TARGET OF OFTEN SCORNFUL CRITICISM FROM BOTH IDF SUPPORTERS AND OPPONENTS. HAVING BEEN A SOMEWHAT RELUCTANT PARTY TO CONCLUSION OF NEW DEFENSE AGREEMENT, HE IS OBVIOUSLY ANXIOUS TO MINIMIZE DAMAGE BY DISASSOCIATING HIMSELF FROM ANY CHARGES OF SELLOUT SUCH AS THOSE LEVELLED BY THJODVILJINN. MARTIN

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